Weekly Economic Review

Employment retreats in November

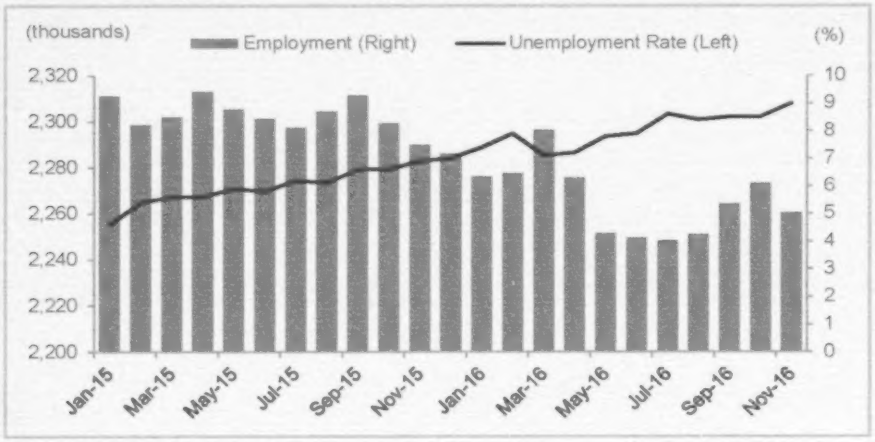
Employment

Alberta loses some employment gains

Following three consecutive months of gains, Alberta employment declined in November. Alberta lost 12,800 jobs month-over-month (m/m), about half of the 25,000 jobs gained over the previous three months. Despite the decrease, employment remained about 12,000 higher than the July low. The monthly decline was entirely in full-time jobs (-13,600 m/m) and mostly in the private sector (-8,600 m/m). On an industry basis, losses occurred in the goods sector (-14,900 m/m) led by construction (-10,900 m/m) and forestry, fishing, mining, oil and gas (-4,000 m/m). These were partially offset by gains in the service sector (+2,100). With the labour force unchanged, the unemployment rate increased by half a percentage point to 9.0%, the highest level since July 1994 (Chart 1). Calgary continues to have the highest unemployment rate among regions in Alberta. The unemployment rate in Calgary inched up 0.1 percentage point to 10.3% in November while Edmonton's unemployment rate fell by the same amount to 6.8%.

Chart 1: Highest unemployment rate since July 1994

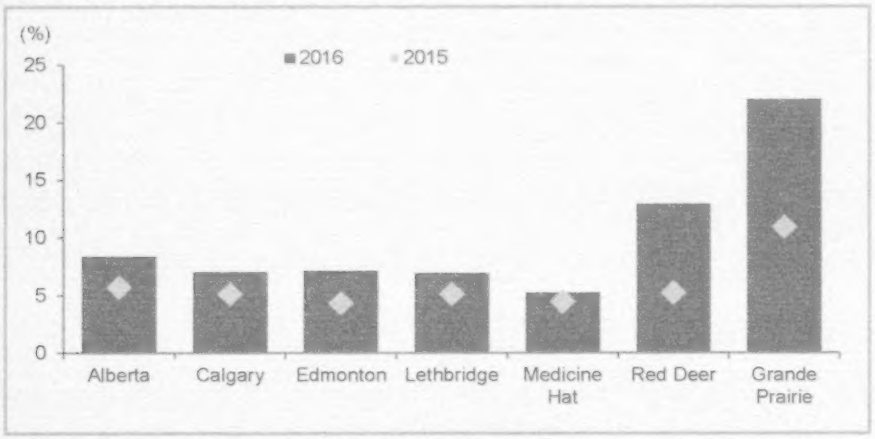
Alberta unemployment rate and employment level



Source: Statistics Canada

Chart 2: Vacancy rates hit new highs in many regions

Vacancy rates in 2015 and 2016, by region



Source: Canadian Mortgage and Housing Corporation

Rental Vacancy

Vacancy rate hits record high

Alberta's overall rental vacancy rate increased for a second year in a row. The average apartment vacancy rate rose from 5.6% in October 2015 to 8.1% in October 2016, the highest on record. A modest increase in rental demand (+1.1% year-over-year or y/y), which was largely supported by elevated levels of international migration, was overshadowed by a strong expansion in rental supply (+3.9% y/y). While vacancy rates rose in nearly all regions, energy dependent regions saw their rates reach record highs and nearly double last year's level (Chart 2).

Rigs Drilling

Rig activity continues to recover

Drilling activity in Alberta continued to improve. The number of active rigs increased 6% m/m to 108 in November, the sixth month of consecutive increase. While rigs drilling activity in November is still about a third of the average level

over the last five years, the year-over-year decline in drilling activity has eased to about 5% in November. Meanwhile, rig utilization edged up year-over-year for the second consecutive month but remains below historical levels.

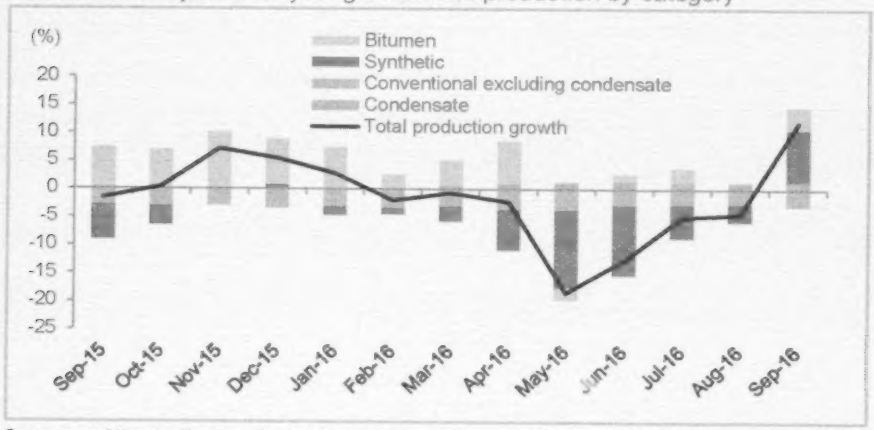
Supply and Disposition of Crude Oil

Production continues to strengthen

Alberta's oil production surpassed 2015 levels for the first time since February 2016. In September, Alberta produced 3.1 million barrels of oil per day, up 12% from last year (Chart 3). The increase was mostly due to higher non-conventional oil production (16% y/y), as synthetic crude grew for the first time since December 2015 (31% y/y) and bitumen production continued to grow (8% y/y). On the other hand, conventional oil production remained weak (-7% y/y) despite elevated levels of condensate production. Compared to the previous month, Alberta's oil production edged down slightly (-0.6% m/m).

Chart 3: Non-conventional production supports growth

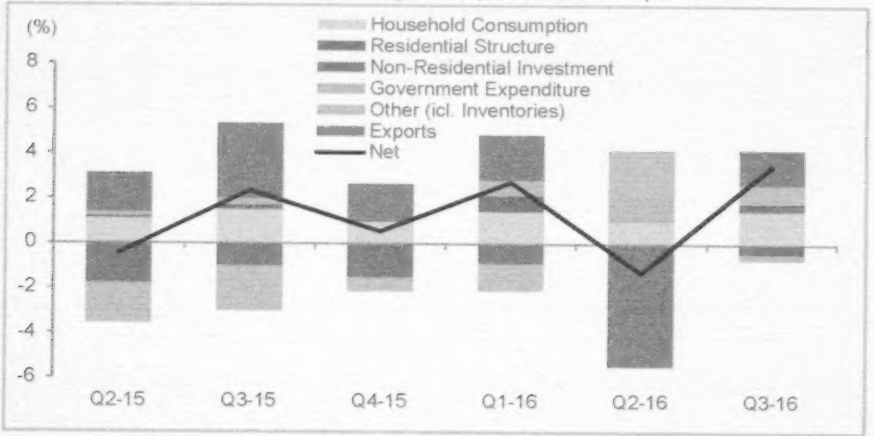
Contribution to year-over-year growth in oil production by category



Source: Alberta Energy Regulator

Chart 4: Rebound in exports boosts Canada's Q3 economic growth

Contribution to Canadian real GDP growth (annualized rate)



Source: Statistics Canada

Canadian GDP

Economy turns around in Q3

The Canadian economy made a strong come back in the third quarter due to a rebound in energy exports following the Fort McMurray wildfires. Real GDP grew 3.5% (annualized) after a contraction of 1.3% in the second quarter of 2016. This was the fastest growth in more than two years. The recovery was led by a strong rebound in exports (+8.9%) which largely reflected the full restoration of energy exports following the Wood Buffalo wildfires (Chart 4). Household consumption also grew at a solid pace (+2.6%). Conversely, business investment remained weak for the eight consecutive quarter (-2.1%) as declines in other categories outweighed a significant increase in non-residential investment (+3.5%) which was largely boosted by the import of equipment for the Hebron oil project in Newfoundland.

US Employment

Solid gains in US employment

US labour market continues to add jobs at a solid pace. US non-farm payrolls rose 178,000 in November. On an industry basis, majority of the employment gains were concentrated in the service sector, which has accounted for all the gains in 2016. Meanwhile, the goods-producing industries added employment for the third consecutive month, as gains in construction and mining outweighed ongoing losses in manufacturing. The unemployment rate dropped to 4.6% in November, the lowest level since August 2007 (before the financial crisis), with 226,000 people also dropping out of the labour force.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.